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Supreme Court, U. S.
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IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1972

No.

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,

Petitioners,

v.

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK

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July 7, 1972

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE COURT OF APPEALS OF THE STATE OF NEW YORK

Petitioners, Hayden Publishing Company, Inc. and Hayden Book Company, Inc., respectfully pray that a writ of certiorari issue to review the judgment and opinion of the Court of Appeals of the State of New York entered in this action on February 10, 1972.

Reports of Opinions Below

The opinions in the Court of Appeals of the State of New York (A.5-13) are reported at 30 N.Y.2d 34, 330 N.Y.S. 2d 329, 17 U.S.P.Q. 740 and 40 L.W. 2567 (1972). The opinions in the Appellate Division of the Supreme Court of the State of New York, First Department (A.19-24), are reported at 33 A.D.2d 766 and 306 N.Y.S.2d 599 (1969). In the Supreme Court of the State of New York, County of New York, the trial Justice rendered an oral opinion from the bench (A.33-35) at the close of the trial, September 17, 1968, which was never reported.

Grounds on Which Jurisdiction Is Invoked

The New York Court of Appeals' judgment sought to be reviewed (A.2-4) was dated and entered on February 10, 1972. Petitioners sought a rehearing by timely motion for reargument in March 1972, which was denied, without opinion, by order of the New York Court of Appeals on June 1, 1972 (A.14). On April 27, 1972, an order was made by Mr. Justice Marshall of this Court extending petitioners' time to petition for a writ of certiorari to and including July 9, 1972 (A.1). The statutory provision believed to confer jurisdiction upon this Court to review the judgment in question by writ of certiorari is 28 U.S.C. Sec. 1257(3).

The Question Presented

Does it violate the Sherman Antitrust Act or contravene a doctrine of patent and copyright monopoly mis-use established by the decisions of this Court[1] or a federal public policy favoring free competition reflected thereby,[2] for a statutory copyright proprietor to restrict its publisher licensee, by express or implied agreement in a contract licensing the proprietor's works to the publisher for sale in interstate and foreign commerce, from publishing and selling in such commerce other non-infringing works on the same educational subjects as the licensed works which are "manifestly harmful" competition to the licensed works?

Constitutional and Statutory Provisions Involved

The case implicitly involves Art. I, Sec. 8, cl. 8 of the Constitution, empowering Congress, exclusively of the states, "To promote the Progress of Science and the Useful Arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and

1. *Ethyl Gasoline Corp.* v. *United States,* 309 U.S. 436 (1940), *Morton Salt Co.* v. *Suppinger Co.,* 314 U.S. 448 (1942), *Mercoid Corp.* v. *Mid-Continent Co.,* 320 U.S. 661 (1943), *International Salt Co.* v. *United States,* 332 U.S. 392 (1947), *U.S.* v. *Paramount Pictures,* 334 U.S. 131 (1948), *U.S.* v. *Loew's, Inc.,* 371 U.S. 38 (1962), *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100 (1969). Also, *National Lockwasher Co.* v. *George K. Garrett Co.,* 137 F.2d 255 (3rd Cir., 1943), *McCullough* v. *Kammerer Corp.,* 166 F.2d 759 (9th Cir., 1948), cert. den. 335 U.S. 315, *Park-In Theatres, Inc.* v. *Paramount-Richards Theatres,* 81 F. Supp. 466 and 90 F. Supp. 730 (D. Del.), affd. approvingly 185 F.2d 407 (3rd Cir., 1950), cert. den. 341 U.S. 950.

2. *Sears, Roebuck & Co.* v. *Stiffel Co.,* 376 U.S. 225 (1964), *Compco* v. *Day-Brite Lighting Co.,* 376 U.S. 234 (1964), *Lear, Inc.* v. *Adkins,* 395 U.S. 653 (1969).

Discoveries." The case implicitly involves Sec. 1 of the Copyright Act, 17 U.S.C. Sec. 1, defining the rights of a person entitled to statutory copyright under the Copyright Act as certain exclusive rights therein set forth respecting "the copyrighted work." The statutory provisions which the case explicitly involves are Secs. 1 and 2 of the Sherman Antitrust Act which respectively provide that "Every contract . . . in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal," and that "an attempt to monopolize . . . any part of the trade or commerce among the several States, or with foreign nations," is a crime, 15 U.S.C. Secs. 1 and 2.

Statement of the Case

Petitioner Hayden Book Company, Inc. is a book publisher formerly named "John F. Rider Publisher, Inc." which, since its incorporation in 1928, has been engaged in the business of developing and publishing educational books, primarily on science and technology subjects, especially in fields of knowledge involving electricity and electronics (R.I.20, Exh.. 54, Exh. 95).[1] Respondent is the proprietor under the Copyright Act of certain literary works on electricity and electronics fundamentals entitled "Basic Electricity" and "Basic Electronics" (the "Van Valkenburgh

1. The record is divided into several separately paginated parts. References thereto preceded by I. are to Vol. I of the record. References not so preceded as to Vols. II through XV thereof. Exhibits are referred to directly by number and letter because they were filed directly with the courts at each stage of the proceedings below, although many are reproduced in an Exhibits Supplement Volume which accompanies the record.

books''), which the book publisher has been publishing for sale throughout the United States and Canada and selling therein, in interstate and foreign commerce (Exh. 89, R.1285), since approximately 1955 (R.I.21-4), pursuant to the terms of a written copyright license agreement made with respondent in 1954 (A.6).

The agreement (Exh. 1, also R.I.71a-p) is in a form common in the book publishing industry of an exclusive license for royalties. Under it, respondent, as copyright proprietor licensor of the Van Valkenburgh books, while retaining all other rights therein (Exh. 1, para. 8), has granted to the book publisher as licensee the exclusive license of its rights under the Copyright Act, 17 U.S.C. Sec. 1(a), to reproduce, publish and sell them in the United States and Canada (Exh. 1, para. 1) for the duration of the statutory copyrights therein (Exh. 1, para. 13); and the book publisher has agreed to (as it does) pay to respondent specified royalties upon copies of the licensed works it sells (Exh. 1, para. 4) and to ''use its best efforts to promote the sale of the licensed works in both [such] countries'' (Exh. 1, para. 3).

The agreement contains no provision in any way expressly restricting the book publisher's freedom to develop and publish other works competitive with the licensed works. The evidence showed that throughout the negotiations culminating in the agreement, there were no discussions between the parties respecting the book publisher's publication of competing works (R.236-7). The New York Court of Appeals imposed liability in this case by construction of the book publisher's aforesaid ''best efforts to promote'' promise (A.10).

The book publisher had little success in selling the Van Valkenburgh books to bookstores (R.5155) and very limited success in selling them to schools (Exh. 89, R.I.25, R.489, 491-2, 2357-8), the largest segment of the market for books on electricity and electronics fundamentals (R.1968), due to the books' low level treatment of these fields of knowledge (R.1792-3, 1978-81, 2359-60) admitted by respondent (R.5145). But, it had great success in selling them to other segments of the market, principally to electrical parts maintenance stores (R.5154) and to industrial concerns having home study (R.545-6) job training programs for their employees (R.389-90, 491-2). Overall, they became very high profitable "best sellers" for it (R.I.24, A.6) and have yielded very substantial royalties to respondent over the years (R.I.24). Their sales, however, have been gradually declining over the years since 1961 (see Exhs. 57 and 57-A).

In December 1966 and January 1967, the book publisher, while continuing to successfully publish and market the Van Valkenburgh books, commenced publication of other, newer and more comprehensive books on electricity and electronics fundamentals entitled "Electricity One-Seven" and "Electronics One-Seven" (the "Mileaf books"), which had been written for it by a group of writers headed by one Harry Mileaf as editor-in-chief (A.27), which whom it had contracted for their preparation in 1964 (Exhs. 27 through 31).

Those contracts provided that the Mileaf books be "designed so that the information presented" be "broken down into discrete units and heavily [or "highly"] illustrated, "preferably" with "each page" containing "text and an appropriate illustration dealing with a significant

unit of information.'"[1] The evidence showed that the book publisher was then publishing about 40 books on electricity and electronics subjects, inclusive of the Van Valkenburgh books, which might be said to have such a format for presenting their materials (R.1046-7, 1062-3), that other publishers also published books on such subjects having these format characteristics (R.293-4, 2778), and that Mr. Mileaf had previously written materials in such a format (R.4806).

Copies of the Van Valkenburgh and Mileaf books in the various paperback and combined-volume hardbound forms in which they have been published are submitted to the Court with this petition.

As inspection of them shows, the Mileaf books are quite different from the Van Valkenburgh books in appearance. (There has never been a contention in this case that they are confusing.) The Mileaf books are substantially longer works (A.33).[2] They are very different in approach to, or intellectual organization of, the fields of knowledge they in-

1. This appears to be what the New York Court of Appeals had in mind in observing that "The agreements between the publisher and Mileaf and the other writers of the new group of books as to what they were to produce could well be regarded as an exact description of the author's existing books" (A.7). There was no finding that the contracts for the Mileaf books described what "could . . . be regarded" as descriptions of the Van Valkenburgh books in any other respect. On the other hand, the evidence also showed that only 199 pages of Van Valkenburgh's Basic Electricity (38%) and 249 pages of its Basic Electronics (45%) present topics on single pages (Exhs. BE and BI). In contrast, Mileaf's 76% of Mileaf's Electricity and 75% of Mileaf's Electronics do so (Exhs. BE and BI).

2. Van Valkenburgh's Basic Electricity is 566 pages (Exh. BE) and 104,400 words (Exh. 9) long; its Basic Electronics is 627 pages (Exh. BI) and 128,600 words (Exh. 10-A) long. Mileaf's Electricity is 917 pages (Exh. BE) and 174,400 words (Exh. 12-B) in length; his Electronics is 932 pages (Exh. BI) and 216,300 words long (Exh. 14).

volve (R.656), that of Mileaf's Electronics being, as of 1967, uncontrovertedly completely unique among published works on electronics fundamentals (R.3432-8).[1] The Mileaf books are very different from the Van Valkenburgh books in style (R.652, 859-60, 2778, 3948), in level of technical vocabulary used and imported (R.I.44) and pedagogic devices used.[2] Unlike the Van Valkenburgh books which contain no materials to aid an instructor in teaching (R.538-9), the Mileaf books contain some 1,610 unanswered questions for teacher use in assigning student work.

In substantive content, the Mileaf books cover numerous subjects in the fields of electricity and electronics fundamentals not dealt with in the Van Valkenburg books at all (R.884, Exhs. BB and BH).[3] As to subject areas of these fields treated in both works, the Mileaf books provide substantially further mathematical (Exhs. BD and BJ) and

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1. This stipulated-to testimony relates to the approach of the Mileaf Electronics of presenting first a volume entirely on the subject of electronics signals, divorced from circuits, and their manipulation to carry information, followed by a volume on organization of *kinds* of electronics circuits, again without discussing any circuits themselves, in order to construct electronics systems. (See Mileaf's Electronics One, pp. 1-4).

2. The most outstanding pedagogic device used in the Van Valkenburgh books is demonstrations, by which an imaginary instructor (R.538) demonstrates principles to readers to enable home-learners to visualize themselves in a formal classroom environment (R.3948). 86 pages (19%) of Van Valkenburgh's Basic Electricity is devoted to such demonstrations. Mileaf has none. Probably the most outstanding pedagogic device of the Mileaf books is the use of "Solved Problem" sections (5% of the works), which discuss selection of the best mathematical formula to solve electrical problems.

3. The trial court found that 20% to 25% of the Mileaf books were devoted to subjects not presented in the Van Valkenburgh books. As to the Electronics works, the finding understates the case. About 33% of Mileaf's Electronics (310 pages of 932) deals with subjects not dealt with in the Van Valkenburgh Basic Electronics (Exhs. BH and BI).

factual information about them than do the Van Valkenburgh books (R.3212-68, 3626-61). They are much more modern treatments of the fields than are the Van Valkenburgh books (R.855-6, 1458, 1514). The testimonial evidence of all five witnesses in the case who were representatives of the marketplace for books on electricity and electronics fundamentals was to the effect that the Mileaf books were substantially different from the Van Valkenburgh books respecting the levels of readers for whom they were suitable (R.5022-5), depth of education in the fields which they furnished (R.3380, 4318-9), and kinds of educational programs for which they were suited for use (R.3211, 3480, 3866).

Respondent, upon learning of the Mileaf books in January 1967 (R.I.40), brought this action the following month in the Supreme Court of the State of New York, County of New York, for an injunction against their continued publication, a decree directing their physical destruction, for damages and for an accounting for the profits realized from their sale (R.I.64-71).

Its factual and legal contentions as to why it was entitled to any such relief varied and shifted as the case progressed. A contention that the book publisher was its "fiduciary" joint venturer (R.I.121), thus prohibited from publishing competing books (R.5655-6), was accepted by the trial court (R.2129, R.I.57) but rejected by the Appellate Division (A.17). A contention that the Mileaf books were tortious unfair competition to the Van Valkenburgh books was accepted by the trial court (A.34) but rejected by the Appellate Division (A.17). A contention that their publication breached the book publisher's implicit contractual obliga-

tion of good faith and fair dealing to respondent because of their similar format characteristic was rejected by the Appellate Division (A.17). A contention that their publication breached the book publisher's aforesaid implicit contractual obligation because the Mileaf books were intended, conceived or designed for sale in place of the Van Valkenburgh books, so as to cheat respondent of its royalties, was accepted by the trial court (R.I.38, I.58) but rejected by the Appellate Division. A contention, disavowed by respondent before the trial (R.I.121, I.129) but asserted at its close (R.5616), that the Mileaf books were copied from its works, was accepted by the trial court, which found them to be non-verbatim infringements (R.I.37-38), "misappropriated" "versions" (A.33), of the Van Valkenburgh books, but rejected by the Appellate Division, which found that the case not to be for "any copyright infringement of the plaintiff's books," (A.18), and found no breach of the book publisher's implied contractual obligation of fair dealing (A.8) or breach of its contractual obligation not to utilize respondent's materials (Exh. 1, para. 11).

The Appellate Division reversed all of the trial court's finding of fact, as well as its conclusions of law, inconsistent with the Appellate Division's aforesaid views (A.17), but nonetheless itself found and concluded that the book publisher had breached its contractual obligation to use its "best efforts" for the continued promotion and sale of the Van Valkenburgh books (A.17, A.10) for which money damages would furnish respondent adequate relief (A.17); and upon respondent's and petitioners' appeals to the New York Court of Appeals from the Appellate Division's determination, that Court interpreted the determination so as to affirm it, saying:

. "To decide this author-publisher controversy it is necessary to see what the legal effect of the contract between them and the resulting relationships are, and especially what are the rights of a publisher as to the production of other works competing with the specific work of an author's. • • •

Such a contract [as that made here] does not close off the right of a publisher to issue books on the same subject, to negotiate with and pay authors to write such books and to promote them fully according to the publisher's economic interests, even though those later publications adversely affect the contracting author's sales. This general freedom of publishing competition within the same house is demonstrated by the appellant publisher here and it is strongly argued by the Association of American Publishers, Inc., in its brief as *amicus*. • • •

But this general freedom of action of the publisher to produce competing works is not necessarily the answer to this litigation. Although a publisher has a general right to act on its own interests in a way that may incidentally lessen an author's royalties, *there may be a point where that activity is so manifestly harmful to the author, and must have been seen by the publisher so to be harmful, as to justify the court in saying there was a breach of the covenant to promote the author's work.*" (A.9-10, emph. added).

The New York Court of Appeals' judgment in this case is its order made February 10, 1972 (A.2-4), affirming the Appellate Division's order made in this action February 6, 1970 (A.15-18) which determined that the petitioners[1] were

1. Petitioner Hayden Publishing Company, Inc. is a magazine publisher (R.I.19) which acquired all of the stock of the book publisher in August 1961. It has been held liable along with the book publisher solely for the latter's breach of its contractual obligation to respondent, because the New York Court of Appeals viewed the Appellate Division as having affirmed the trial court's findings that it "controlled" its subsidiary's (the book publisher's) actions (A.5-6) after September 1962.

liable solely for breach of the book publisher's contractual obligation to have used "best efforts" to promote the Van Valkenburgh books, and which modified the judgment entered in this action by the trial Justice on December 10, 1968 (A.25-32). The judgment, as thus modified, adjudges that respondent recover all loss or other damage sustained by it "in consequence of the publication of the books 'Electricity One-Seven' and 'Electronics One-Seven'" [the Mileaf books] (A.30-1), and determines, in advance of any trial of the issues of damages before a referee appointed for such purposes (A.31), that petitioners account to respondent "as an item for the ascertaining and calculation of damages" (A.17) for *all* copies of Mileaf's books sold (A.29) and that from the totals accounted for, respondent recover amounts of 15% of the retail list prices of all copies thereof sold, plus amounts for revenues received from the licensing of publication rights therein (A.29).[1]

1. Petitioners wish to make clear that they do not seek certiorari to have this Court review imposition of liability upon them because of any neglect of the book publisher to have promoted the Van Valkenburgh books themselves, as is suggested by the New York Court of Appeals' decision to have occurred during *part* of the time of publication of the Mileaf books (A.7) by observation that a specific magazine advertisement (Exh. 86) for respondent's books was suspended "In early 1967" (A.7), as the trial court found, "through March 1967" (R.I.51), and that the book publisher's sales staff devoted a large portion of its time to the then new Mileaf books for the 8 weeks preceding March 21, 1967 (Exh. 95). There was no evidence of any lack of promotion of the Van Valkenburgh books in 1966, when publication of Mileaf books began (A.7); there was substantial evidence, shown by respondent itself, of their continued promotion during 1967 as a whole (Exhs. 86, 87, 94, R.1324, 1328, 1399-90, 1753, 1833-4, 1862-3, 1925); and there was no evidence respecting any lack of promotion of the Van Valkenburgh books themselves (or, for that matter, of any promotion for the Mileaf books) after 1967, respondent's case in chief having rested (R.2097) on January 25, 1968 (R.1949).

The judgment here does not simply hold petitioners liable for some lack of promotion of the Van Valkenburgh books themselves. The

The Federal Question Has Been Raised Throughout the Case

Respondent's complaint appeared one for breach of contract or relationship arising therefrom (R.I.68) and was so characterized by it in advance of trial (R.I.121). Petitioners' answer thereto specifically alleged as a first affirmative defense, that:

> "If [the book publisher's] obligation pursuant to its agreement with [respondent] were to be construed so as to preclude [the book publisher] . . . from creating, publishing, distributing or selling any books which were competitive with . . . Basic Electricity or Basic Electronics, the provisions of such agreement so construed, would be illegal, unenforceable and of no effect because of illegality thereof pursuant to the Anti-Trust Laws of the United States," (R.I.73).

Petitioners' trial memorandum to the trial court as the case began elaborated this contention by asserting that the case posed the issue of whether the agreement could be enforced if viewed as one extending respondent's copyright monopoly by limiting the book publisher's freedom to publish other books.[1] By then, respondent was also asserting a claim of unfair competition because of similarity of what

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New York Court of Appeals, having stated that respondent was entitled to damages "resulting from the breach" (A.10), affirmed the Appellate Division's order which allows recovery for all "loss or damage" sustained by respondent *"in consequence of the publication"* of the Mileaf books (A.30-1, emp. added). Petitioners' motion for rehearing expressly indicated to the New York Court of Appeals that its judgment was in conflict with its decision unless it intended to hold publication of the Mileaf books to have breached the "best efforts" promise (a view with which respondent then appeared to concur), and the Court of Appeals denied the motion.

1. Petitioners' trial memorandum, p. 10, a copy of which has been filed with the Clerk's office.

it then called the "method" (R.8) and later called the "format" (R.5606) of the Mileaf books to its books; and petitioners' trial memorandum further asserted that state courts could not protect any such "method" from use by others in light of this Court's decisions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964) and *Compco* v. *Day-Brite Lighting Co.*, 376 U.S. 234 (1964).[1] The trial court perfunctorily dismissed petitioners' aforesaid defense "for lack of proof and on the law" in its oral decision at the close of the trial (A.35).

Upon the appeal to the Appellate Division, petitioners made the same assertions in their main brief to that court, doing so in terms of an argument asserting impropriety of construing the book publisher's implied contractual obligation of good faith and fair dealing under state law so as to impose restrictions upon its freedom to publish competing books and to extend respondent's copyright monopoly in contravention of federal law and public policy.[2] After this Court's decision in *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969) was rendered, petitioners relied upon it as well, in their reply brief to that court.[3] The Appellate Division rejected the trial court's view that unfair competition (A. 17) or a breach of the book publisher's implied contractual obligation of good faith and fair dealing had occurred (A. 8), but did not indicate reliance upon petitioners' federal contentions in its decision doing so (A.19-21).

Upon appeal to the New York Court of Appeals, petitioners made the same contentions in claiming that the

1. Petitioners' trial memorandum, p. 50, a copy of which has been filed with the Clerk's office.

2. Petitioners' main brief to the Appellate Division, pp. 10-11, a copy of which has been filed with the Clerk's office.

3. Petitioners' reply brief to the Appellate Division, p. 5, a copy of which has been filed with the Clerk's office.

Appellate Division was in error in determining them to be liable for breach of the book publisher's "best efforts" promise to promote the Van Valkenburgh books.[1] That Court's decision observed that "patent and copyright licensing agreements . . . are governed by parallel principles" of federal law (A.9), but otherwise ignored petitioners' federal contentions.

Reasons for Granting the Writ

The New York Court of Appeals may be said to have ruled that contractual restrictions upon a copyright or patent licensee's freedom to make and market competing products "are governed by parallel principles," (A.9), and that, thereunder, a licensee's promise to use "best efforts to promote" a licensed product is a lawful and enforceable agreement to refrain from manufacturing and selling competing products viewed by state courts to be "manifestly harmful" to the licensed product (A.10).

The federal question is whether this view of enforceable state law contract rights and imposition of liability for breach of contract based thereon contravenes the Sherman Antitrust Act, improperly allows a patent or copyright monopoly mis-use, or conflicts with a strong federal public policy favoring free competition.

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1. Petitioners' appellants' brief to the New York Court of Appeals, pp. 92-101 thereof, a copy of which has been filed with the Clerk's office.

1. The Issue Is Important Because of the Broad Import of the New York Court of Appeals' View Upon Present and Future Patent and Copyright License Agreements and Because It Encourages Agreements to Restrain Competition and Enlarge Such Monopolies.

Promises by patent and copyright licensees (and assignees) for royalties to diligently, actively, or make "best efforts to" promote sales of licenses products have long been common.[1] The best efforts promise made here has been described by Mr. Curtis G. Benjamin, a dean of American publishing,[2] as "the customary 'best efforts' clause in an author-publisher contract."[3] The commonplace nature of such provisions in such contracts was the obvious reason for the *amicus curiae* briefs submitted to the New York Court of Appeals in this case by the Association of American Publishers, Inc. (A.9) and a major publisher, Harcourt Brace Jovanovich, Inc., not a member thereof.[4]

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1. See, e.g., *Western Geophysical Co.* v. *Bolt Associates, Inc.*, 173 U.S.P.Q. 284 (D. Conn., 1972) (patent licensee's agreement to make best efforts to use and sub-license others to use this device), *Robert F. Kennedy* v. *Engelhard Industries, Inc.*, 288 F.2d 642 (3rd Cir., 1961) (patent licensee's agreement to use best efforts to make and market inventions), *Arnold Productions, Inc.* v. *Favorite Films Corp.*, 176 F. Supp. 862 (1959) (copyrighted licensee's agreement to make best efforts to promote licensed photoplays and obtain as wide a distribution as possible), *American Machine & Metals Co.* v. *De Bothezat Impeller Co., Inc.*, 180 F.2d 342 (2nd Cir., 1950) (patent assignee's agreement to use best efforts to promote sales of products). See also, Gordon's Modern Annotated Forms of Agreements, 1970 ed., pp. 968, 970, 979.

2. A copy of Mr. Benjamin's biography appearing in *Who's Who In America*, 1970-71 ed., p. 155, has been filed with the Clerk's office.

3. In a letter-to-the-editor published in the May 12, 1972 issue of *Publishers Weekly*, a copy of which has been filed with the Clerk's office.

4. The Association's *amicus* position was that this Court's decisions cited in the "Question Presented" section of this petition made interpretation of a publisher's "best efforts" promise as one prohibiting

The issue, moreover, is not limited to license agreements incorporating express "best efforts" promises by the licensee. Even where such promises are not expressly made, they are commonly implied in patent and copyright exclusive license agreements by state law.[1]

It is common practice in the educational book publishing industry for publishers to publish competing texts on the same subjects which courts can readily characterize as "manifestly harmful" to sales of the earlier published of such works.[2] All competing works are "manifestly harmful" to each other to some degree.

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publication of competing books unlawful. Harcourt's *amicus* brief (the only one not cited in the New York Court of Appeals' decision) complained of determination of the case without consideration of evidence of custom and usage in the publishing industry and urged that a "best efforts" promise, as used in the publishing industry, simply requires active marketing of the literary product involved according to the publisher's expertise and judgment.

1. *Brawley* v. *Crosby Research Foundation*, 73 Cal. App.2d 103 (1946) (law implied agreement of patent licensee to make best efforts to develop, exploit, produce and make sales of licensed invention), *Dwight & Lloyd Sintering Co.* v. *American Ore Reclamation Co.*, 44 F. Supp. 399 (1937) (law implied covenant by patent licensee to exploit patented article diligently), *In re Waterson, Berlin & Snyder Co.*, 48 F.2d 702 (2nd Cir. 1931) (law implied copyright licensee's obligation to work copyright so far as reasonably possible), *Wood* v. *Lucy, Lady Duff-Gordon*, 222 N.Y. 88 (1917) (law implied design licensee's obligation to promote designs).

2. See Mr. Benjamin's letter-to-the-editor, *Publishers Weekly*, May 12, 1972 issue, a copy of which has been filed with the Clerk's office.

Additionally, petitioners expressly alleged as an affirmative defense in this case that a publisher's "best efforts to promote" sales promise was not one restricting its freedom to publish similar competing books, as a matter of custom, or usage, and practice in the book publishing industry (R.I.74-75); and, in support thereof, petitioners presented independent expert testimony at the trial that it was customary practice in the educational book publishing industry (R.2695)

(footnote continued on next page)

The New York Court of Appeals' decision not only affects the educational book publishing industry in New York. While its ruling, strictly, relates only to copyright licensees, the decision recognizes that federal law governing "patent and copyright license agreement . . . are governed by parallel principles," (A.9). It will, therefore, affect patent licensing agreements as well.

Moreover, if copyright and patent licensees can, under state law, use "best efforts" promises as vehicles to obtain protection from their licensees' manufacturing and marketing of "manifestly harmful" competing products, it follows that they can do so directly by obtaining express agreements from licensees not to make and sell such products. The inhibiting effect upon competition is self-evident.

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for publishers, while contractually publishing one author's work, to simultaneously arrange for the writing of and to publish comparable works of other authors on the same subjects competitive therewith (R.2702-4) and that the kind of competition of the books in suit here was done by all book publishers (R.2705-6). [After hearing this, the trial court, without allowing the witness to conclude, struck his testimony and at the same time dismissed defendants' aforesaid defense as being irrelevant upon the ground that respondent's burden was to prove a misappropriation of its property (R.2753-4). The trial court so found, but the Appellate Division reversed (A.18), and the New York Court of Appeals ignored petitioners' contention upon the appeals to it that a new trial should have been ordered for this reason. It did so despite affirmative citation in its decision (A.10) of *Arnold Productions, Inc.* v. *Favorite Films Corp.*, 176 F. Supp. 862, affd. 298 F.2d 540 (2nd Cir., 1962), holding that a claim for breach of a copyright licensee's best efforts promise must be tested by comparison of the allegedly breaching contract with normal, customary, industry practice.]

2. The New York Court of Appeals Has Decided a Substantial Federal Question in a Way Probably Not in Accord With the Applicable Decisions of This Court.

The New York Court of Appeals' view that federal law restrictions upon licensee's freedom of competition in patent and copyright license agreements is "governed by parallel principles" (A.9) most likely fully accords with this Court's views. The parallel devolves from the fact that both patent and statutory copyright proprietary rights stem from Art. I., Sec. 8, cl. 8 of the Constitution which states a federal public policy, paramount to that of rewarding authors and inventors, of promoting the useful arts and sciences for public benefit, *Fox Film Corp.* v. *Doval,* 266 U.S. 123, 127 (1932). More specifically this Court's decisions in *U.S.* v. *Paramount Pictures,* 334 U.S. 131 (1948) and *U.S.* v. *Loew's, Inc.,* 371 U.S. 38 (1962) have so indicated. In those cases this Court, relying upon its decisions in the patent licensing field, respectively struck down block booking tying restrictions imposed by copyright proprietors of feature motion picture films upon their distribution licensees upon mis-use (as adding to the monopoly of the copyright) and antitrust (as violating Sec. 1 of the Sherman Act) grounds. In the *Loew's* case, this Court made clear that tying provisions in patent and copyright license agreements were *per se* antitrust violations, saying, at 371 U.S. 45, that the power to appreciably restrain competition in the market "is presumed when the tying product is patented or copyrighted."

That a contractual provision directly restricting a patent or copyright licensee's freedom to simultaneously manufacture and market competing products would violate the

Sherman Act and constitute a mis-use of the lawful statutory monopoly, does not, therefore, seem seriously doubtful. It has been specifically so held respecting patent license agreements in such lower federal court cases as *National Lockwasher Co.* v. *Garrett,* 137 F.2d 255 (3rd Cir., 1950) and *Park-In Theatres* v. *Paramount Richards Theatres,* 81 F. Supp. 466 and 90 F. Supp. 730 (D. Del.), affd. approvingly 185 F.2d 255 (3rd Cir., 1950), cert. den. 341 U.S. 950, and quite recently indicated by this Court in its decision in *Zenith Radio Corp.* v. *Hazeltine Research, Inc.,* 395 U.S. 100 (1969), where the Court said,

> "* * * there are established limits which the patentee must not exceed in employing the leverage of his patent to control or limit the operations of the licensee. Among other restrictions . . ., he may not condition the right to use his patent upon the licensee's agreement . . . not to purchase, use of sell, another article . . . not within the scope of his patent monopoly, e.g., Ethyl Gasoline Corp. v. United States, 309 U.S. 436, 355-459 (1940); International Salt Co. v. United States, 332 U.S. 392, 395-396 (1947) . . . neither can he use that leverage to garner as royalties a percentage share of the licensee's receipts from other products; in either case, the patentee seeks to extend the monopoly of his patent to derive a benefit not attributible to use of the patent's teachings."

But, the New York Court of Appeals' view that there is an exception to the above rules that permits patentees and copyright proprietors to extend their monopolies by contractual restrictions upon their licensees' freedom to market "manifestly harmful" competing products, and that "best efforts" promises are breached by such conduct, is probably not in accord with the decisions of this Court.

This Court's decision have never drawn such an exception. The exception allows an extension of the monopoly and enforces a restraint on trade by agreement for the benefit of one presumed under the *Loew's* case to have sufficient economic power to restrain competition in violation of the Sherman Act. The restraint moreover appears unreasonable even disregarding that presumption, for it never balances the licensee's needs or the public's benefit to be derived from the availability of the competing product which may exist (and in this case rather obviously does) irrespective of the "manifest harmfulness" thereof to the licensor.

In addition, the New York Court of Appeals' view appears also to conflict with the strong federal public policy favoring free competition developed in this Court's more recent line of decisions in *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225 (1964), *Compco* v. *Day-Brite Lighting Co.*, 376 U.S. 234 (1964) and *Lear, Inc.* v. *Adkins, Inc.*, 395 U.S. 653 (1969). That policy, as indicated in *Lear*, is that state courts cannot award a plaintiff compensation for a defendant's utilization of ideas which are public domain, whether, as in *Sears* and *Compco*, upon the basis of state law views of tortious unfair competition, or, as in *Lear*, upon state law contract principles (there, a doctrine of licensee estoppel from asserting patent invalidity as a defense to an contract action for royalties). In so far as the New York Court of Appeals' view that the Mileaf books are "manifestly harmful" competition to the Van Valkenburgh books was based upon the fact that they have some similar characteristic, it has done precisely that. The parallel between the antitrust violation and copyright mis-use doctrines discussed above and the federal public policy favoring free competition articulated in *Lear* is plain and has been drawn

by Mr. Justice White in this Court's decision in *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971) at 343-346.

3. The New York Court of Appeals Has Decided a Federal Question Not Heretofore Determined by This Court.

Despite the discussion above, it is nevertheless the case that this Court has never directly passed upon the precise federal question presented here. The Court has never considered a question of a copyright proprietor's freedom to inhibit competition and expand its copyright monopoly by restriction upon its licensee's freedom to make and market competing products. It has never considered whether state courts may enforce such interpretations of "best efforts" promises in either patent or copyright license agreements. The two occasions upon which this Court considered questions of whether patent licensee's "best efforts" promises were implicitly restrictive of competitive activity occurred long before the patent and copyright mis-use and antitrust doctrines discussed above evolved.[1]

1. Those cases were *Thorn Wire Hedge Company, Inc.* v. *Washburn & Moen Manufacturing Co., Inc.*, 159 U.S. 423 (1895) and *Eclipse Bicycle Company, Inc.* v. *Farrow*, 199 U.S. 581 (1905), both of which support petitioners' position here. In *Thorn Wire*, this Court held that a patent licensee's agreement to use diligent efforts to supply the demand for the licensed article (barb wire) did not constitute an implicit agreement by the licensee not to also manufacture and market similar barb wire made under other patents it subsequently acquired, 159 U.S. at 450. In *Eclipse Bicycle*, the Court held that a patent assignee's promise to use "due business diligence in the manufacture and sale of" the assigned bicycle coaster brake device and to "push their sale by all proper and legitimate enterprise" did not prohibit the licensee from itself subsequently developing, manufacturing and marketing another coaster brake device which had commercially "important superiorities" to Farrow's. Given the greater comprehensiveness and modernity of the Mileaf books to the Van Valkenburgh books and the admission at trial of respondent's own expert witness about its Basic Electronics that the work was mostly "obsolete" (R. 1514), that is precisely this case.

The New York Court of Appeals' ruling here essentially creates a qualification, or exception, to federal law prohibitions upon restrictions on patent or copyright licensees freedom to make and market competing products. The rule is one of federal law and public policy established by decisions of this Court. The existence of an exception to that rule for "manifestly harmful" competing products therefore necessarily is a question of federal law. Clearly, the federal interest is paramount in the patent and copyright fields. Clearly, the rule should be uniform throughout the nation. If an exception is to be made to licensees' freedom to make and market competing products, it should be done, after consideration and review, by this Court, so that at least the petitioner book publisher and other New York publishers are not placed at a competitive disadvantage to publishers of other states.

4. The New York Court of Appeals Is in Important Error.

Petitioners reasons for believing that federal law and public policy does not and should not permit state court interpretation of patent or copyright licensees' promises to use "best efforts to promote" a licensed product as one restricting it from simultaneously making and marketing any non-infringing competing product have already been indicated. But, even were some exception to the rule of licensee freedom of competition to be allowed by federal law, the exception applied by the New York Court of Appeals here is believed not only erroneous but very detrimental to the purposes to be served by federal law and public policy involved here. The facts of this case demonstrate why.

The public policy behind the patent and copyright laws and the doctrine of patent and copyright monopoly mis-use which stems from them is the public benefit derived from promotion of the useful arts and sciences. The function of an educational book publisher, such as the petitioner book publisher here, is to satisfy needs of the public and educational community for educational books in its fields of publishing competence by anticipating, developing and publishing books suited to those needs. The real reason (if any exists) why the Mileaf books may be "manifestly harmful" to the Van Valkenburgh books is precisely because potential customers in the marketplace for books on electricity and electronics fundamentals find them superior for their needs and hence preferable. Yet, this is precisely what promotes the useful arts and sciences. The New York Court of Appeals' exception is erroneous because it is detrimental to the progress of education in science and technology.

The exception is erroneous because it is elusive and provides no genuine practical test by which patent and copyright licensees may make new competing product decisions. It therefore effectively operates as an *in terrorum* restriction against licensees' manufacture and marketing of any competing products. No educational book publisher obligated by express contractual agreement or implied state law rule to promote a licensed literary work and no manufacturer likewise obligated to promote a licensed patented product will risk the substantial investment involved in the development and manufacture of any competing product fearful that state courts unfamiliar, at least as compared to it, with the needs of the market it is trying to reach, might regard that product as "manifestly harmful" competition to the existing licensed product. The vagueness of the New

York Court of Appeals' exception is demonstrated by this case. The Court of Appeals' decision itself characterizes the book publisher's breach as "narrow" (A.10) and indicates that it was not even clear that there had been any damage to respondent from publication of the Mileaf books, saying, "Whether there was in fact, damage . . . from the Mileaf publication will be decided at the reference," (A.11). Yet, for the purpose of imposing liability, it appears to have found "manifest harm."

The exception is erroneous because it functions as an invitation to lower courts to ignore the federal law protecting licensee freedom of competition. Is there any competing product worth manufacturing which such a court, so inclined, could not characterize as "manifestly harmful" to continued sales of a licensed product?

The exception is erroneous because it nowhere attempts to balance the legitimate interests of the licensee in producing the competing product, let alone the interest of the public in having the competing product available to it. Here, the licensee's legitimate interest in producing the Mileaf books is shown by the evidence which the Court of Appeals referred to in its decision: sales of the Van Valkenburgh books dropped slightly during the 18 months of publication of the Mileaf books in evidence from $435,000 to $433,600, but combined sales of the Mileaf and Van Valkenburgh books were $615,200 (A.11). The harm to the Van Valkenburgh books may have been "manifest" to the New York Court of Appeals, but all the evidence showed that the book publisher realized substantially more sales by marketing both than it had previously realized from marketing the Van Valkenburgh books alone. There was obviously, as the

evidence showed, a substantial market for the Mileaf books which did not exist for the Van Valkenburgh books, undoubtedly for precisely the reasons to which every representative of the marketplace for books on electricity and electronics fundamentals testified.

Finally, even if the New York Court of Appeals' exception to the federal rule of licensee freedom to make and market competing products was acceptable to this Court, its judgment still contravenes federal law and public policy in two vital respects. In the first place, it does not limit the respondent's recovery of damages to those caused by publication of the Mileaf books in the territorial area (the U.S. and Canada) of the book publisher's license to publish and obligation to promote the Van Valkenburgh books. It thus, entirely unreasonably under any view, and, therefore, in contravention of the Sherman Act, inhibits the publication of the Mileaf Books in foreign commerce outside the scope of the copyright license agreement made. In the second place, despite recognition that the issue of damages had not as yet been tried (A.11), the judgment, in advance of actual trial of the issues of damage before the referee, pre-judged that respondent recover "as an item for the ascertaining and calculation of damages" a royalty of 15% of the retail list prices of all copies of Mileaf books sold. The judgment thus in fact rewards respondent with a royalty upon books it did not write, in clear contravention of this Court's decisions in *Broulette* v. *Thys*, 370 U.S. 29 (1964), *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U.S. 100 (1969) and *Lear, Inc.* v. *Adkins*, 395 U.S. 653 (1969), holding that a patentee cannot collect royalties upon which it never owned any, any valid, or no longer owns a subsisting, patent.

Conclusion

For the above reasons, a writ of certiorari should issue to review the judgment and opinion of the Court of Appeals of the State of New York.

Respectfully submitted,

JOHN E. HAIGNEY
41 East 42nd Street
New York, New York 10017
Counsel for Petitioners

July 7, 1972

APPENDIX

Order Extending Time to File Petition for Writ of Certiorari

SUPREME COURT OF THE UNITED STATES

No. A-1133

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,

Petitioners,

v.

VAN VALKENBURGH, NOOGER & NEVILLE, INC.

ORDER EXTENDING TIME TO FILE PETITION FOR WRIT OF CERTIORARI

UPON CONSIDERATION of the application of counsel for petitioners, IT IS ORDERED that the time for filing a petition for writ of certiorari in the above-entitled cause be, and the same is hereby, extended to and including July 9, 1972.

/s/ Thurgood Marshall

Associate Justice of the Supreme Court of the United States

Dated this 27th day of April, 1972.

New York Court of Appeals' Judgment

STATE OF NEW YORK,
COURT OF APPEALS

No. 131

STATE OF NEW YORK, ss.:

PLEAS in the Court of Appeals, held at Court of Appeals Hall, in the City of Albany, on the 10th day of February in the year of our Lord one thousand nine hundred and seventy-two, before the Judges of said Court.

WITNESS:

The Hon. STANLEY H. FULD,
Chief Justice, Presiding.

RAYMOND J. CANNON, Clerk.

Remittitur: February 10, 1972.

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1. No. 131 71

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Respondent-Appellant,

vs.

HAYDEN PUBLISHING COMPANY, INC. & ano.,
Appellants-Respondents.

New York Court of Appeals' Judgment

BE IT REMEMBERED, That on the 18th day of March in the year of our Lord one thousand nine hundred and seventy-one, VAN VALKENBURGH, NOOGER & NEVILLE, INC., the respondent-appellant in this cause, came here unto the Court of Appeal, by London, Buttenwieser & Chalif, its attorneys, and filed in said Court a Notice of Appeal and return thereto from the order of the Appellate Division of the Supreme Court in and for the First Judicial Department. And HAYDEN PUBLISHING COMPANY, INC. & ANO., the appellants-respondents in said cause, afterwards appeared in said Court of Appeals by Ide & Haigney, their attorneys.

Which said Notice of Appeal and the return thereto, filed as aforesaid, are hereunto annexed.

WHEREUPON, the said Court of Appeals having heard this cause argued by Mr. John E. Haigney, of counsel for the appellants-respondents, and by Mr. Ephraim London, of counsel for the respondent-appellant, and after due deliberation had thereon, did order and adjudge that the order of the Appellate Division of the Supreme Court appealed from herein be and the same hereby is affirmed, with costs to abide the event. Questions certified answered in the affirmative.

And it was further ordered, that the records aforesaid, and the proceedings in this Court, be remitted to the Supreme Court of the State of New York, there to be proceeded upon according to law.

THEREFORE, it is considered that the said order be affirmed with costs to abide the event. Questions certified answered in the affirmative, as aforesaid.

And hereupon, as well the Notice of Appeal and return thereto aforesaid as the judgment of the Court of Appeals aforesaid, by it given in the premises, are by the said Court

of Appeals remitted into the Supreme Court of the State of New York before the Justices thereof, according to the form of the statute in such case made and provided, to be enforced according to law, and which record now remains in the said Supreme Court, before the Justices thereof, &c.

Raymond J. Cannon

Clerk of the Court of Appeals
of the State of New York

Note: The question certified by the Appellate Division to the Court of Appeals was: "Was the order of this Court [i.e., the Appellate Division] entered on February 6, 1970, which modified the judgment of the Supreme Court [i.e., the judgment entered Dec. 10, 1968 therein] properly made?" (Explanatory matter in brackets added.)

Opinion of the New York Court of Appeals

STATE OF NEW YORK
COURT OF APPEALS

1. No. 131 71

VAN VALKENBURGH, NOOGER & NEVILLE, *Inc.*,
Respondent-Appellant,

vs.

HAYDEN PUBLISHING COMPANY, INC. & ano.,
Appellants-Respondents.

DECISION COURT OF APPEALS
Feb. 10, 1972

BERGAN, J.

Plaintiff corporation is the copyright owner of a series of books on basic electricity, the publication of which is the subject of this litigation. Defendant Hayden Book Company, Inc. has merged with, and is the successor of, John F. Rider Publisher, Inc., which, under agreement with plaintiff, published the series. Defendant Hayden Publishing Company, Inc. is the owner of all the stock of the merged companies.

Although defendants are separate corporate entities, the court at Special Term found the parent company's officers and employees so controlled the actions of their subsidiaries in the present controversy that unitary liability to the plaintiff arising from the publication of the books could

be imposed on both corporations. In this respect the Appellate Division affirmed the fact as found. It cannot be said as a matter of law on this record that if Hayden Book is liable the separate corporate entity of Hayden Publishing shields it from liability. For convenience, therefore, both defendants will here be called the "publisher" and the corporate plaintiff the "author".

Assuming facts most favorable to the author, consistently with the findings which have been affirmed by the Appellate Division, an agreement between the parties was entered into in November, 1954 for the publication of the electronics books. The publisher agreed to pay the author a royalty of 15% of the list price of books sold. The contract contained an undertaking by the publisher to use its "best efforts" in promotion of the books. Following upon execution of this agreement, a five-volume set entitled *Basic Electricity*, and a five-volume set entitled *Basic Electronics*, were published in 1954 and 1955; and in 1959 a sixth volume on transistors was added to *Basic Electronics*.

These publications were the publisher's best sellers and accounted for a substantial part of its income. In 1962 the author and publisher discussed a new and later edition of the author's works. The publisher asked a reduction in royalties if this were to be done. Financial discussions lasted about a year. It apparently became clear in the fall of 1963 that the author would not agree to a lower rate.

The publisher then hired Harry Mileaf and three other writers to prepare a new group of electronic books entitled *Electricity 1-7* and *Electronics 1-7*, the "Mileaf" books. This effort was not disclosed to the author, but was "concealed", as plaintiff argues in this court. The Mileaf books utilized a very similar method of organizing, presenting and picturing the material. The agreements between the

publisher and Mileaf and the other writers of the new group of books as to what they were to produce could well be regarded as an exact description of the author's existing books.

The publisher did not disclose to the author what it was doing, but when inquiry was made, on the basis of reports in the trade, the Mileaf enterprise was denied orally and in writing. The Mileaf books were published in 1966 and 1967. The publisher made efforts to sell them to customers who had been placing large orders for the author's books. The advertising for these books was very similar to that for the author's.

In 1967, when the publisher began to advertise Mileaf, the magazine advertisement of the author's works was suspended. There is a memorandum from the publisher's sales manager to its salesmen which notes that "a large portion of our time the past 8 weeks has been devoted to *ELECTRICITY 1-7 and ELECTRONICS 1-7*". The Authors League of America, filing here a brief as *amicus*, makes this interesting commentary on the record: "The astounding pattern of Publisher's conduct, as disclosed and documented by the record, is probably without parallel in publishing history. Clearly it violates the 'best efforts' clause of the contract executed by the parties." The record on the whole seems to justify the factual finding that the publisher did not use its "best efforts" on the author's books after 1967.

On this record the court at Special Term, after a long trial, found the publisher occupied a fiduciary relationship to the author and that there had been a failure by the publisher to act in good faith in that relationship. Accordingly it found the author was entitled to a permanent injunction restraining the publisher from proceeding with the distribu-

tion and sale of the Mileaf books, and, indeed, ordered physical destruction of these books. The court directed an accounting to the author by the publisher of the profits of the Mileaf venture and a referee's hearing for this purpose.

The Appellate Division, by a divided court, modified this decision in very material respects. It determined there was no fiduciary relationship between the parties but one of ordinary contract. It found there had been no breach by the publisher of the condition implicit in the contract to act in good faith; but that the publisher had breached its contractual undertaking to use its "best efforts" in promoting the author's books and hence was answerable in the money damages appropriate to a breach of contract.

Consistently with this, it reversed that part of the Special Term's order and judgment calling for a destruction of the Mileaf books and imposing a permanent injunction, and directed a hearing at the reference on the question of money damages allowing merely a temporary injunction until that question be determined. As to the "purely commercial" nature of the relationship and as to the absence of any obligation of the publisher, the Appellate Division expressly reversed the factual findings made at Special Term and made new findings.

To decide this author-publisher controversy it is necessary to see just what the legal effect of the contract between them and the resulting relationships are, and especially what are the rights of a publisher as to the production of other works competing with the specific work of an author's.

There is implicit in all contracts—for book publishing or house building—an implied covenant of fair dealing and good faith (*Brassil* v. *Maryland Cas. Co.*, 210 N.Y. 235; *Wilson* v. *Mechanical Orguinette Co.*, 170 N. Y. 542). See, also, *Kirke La Shelle Co.* v. *Armstrong Co.* (263 N. Y. 79)

where Judge HUBBS noted (p. 87) "in every contract there exists an implied covenant of good faith and fair dealing"; and *Underhill* v. *Schenck* (238 N. Y. 7).

It has already been observed that in this contract there was an undertaking by the publisher to use its "best efforts" to promote the author's works. Such a contract does not close off the right of a publisher to issue books on the same subject, to negotiate with and pay authors to write such books and to promote them fully according to the publisher's economic interests, even though those later publications adversely affect the contracting author's sales. This general freedom of publishing competition within the same house is demonstrated by the appellant publisher here and it is strongly argued by the Association of American Publishers, Inc., in its brief as *amicus*.

By analogizing the Federal cases growing out of patent and copyright licensing agreements which are governed by parallel principles, it will be observed that licensees are not deemed to limit themselves in their usual business enterprise to the promotion of the licensor's product, absent specific agreement to this effect; and an agreement to use due diligence or best efforts does not alone limit their activity to the licensor's interests.

This was noted by Justice HOLMES in *Eclipse Bicycle Co.* v. *Farrow* (199 U. S. 581) involving a coaster brake patent license owned by one Farrow. It was observed that the licensee's covenant "to use due business diligence in pushing their sale, did not preclude it from using any later invention, if one were made which superseded Farrow's, and did not embody it" (p. 589).

Thus, too, in *Thorn Wire Co.* v. *Washburn & Moen Co.* (159 U. S. 423) it was held that an agreement of a licensee to "use reasonable and diligent efforts" to promote the

barbed wire product did not impose an obligation not to sell barbed wire products under competitive patents (p. 449). Such a covenant cannot be "implied from the language used" (p. 450). See further and consistent licensing decisions in *American Mach & Metals* v. *De Bothezat Impeller Co.* (180 F. 2d 342, 345-346); *Arnold Prods.* v. *Favorite Films Corp.* (176 F. Supp. 862); *Dwight & Lloyd Sintering Co.* v. *American Ore Reclamation Co.* (44 F. Supp. 396).

But this general freedom of action of the publisher to produce competing works is not necessarily the answer to this litigation. Although a publisher has a general right to act on its own interests in a way that may incidentally lessen an author's royalties, there may be a point where that activity is so manifestly harmful to the author, and must have been seen by the publisher so to be harmful, as to justify the court in saying there was a breach of the covenant to promote the author's work.

This, of course, is essentially a fact value question and here the Appellate Division has found that there was a narrow breach in the failure of the publisher to use its best efforts. It did not find a breach of the implied condition of fair dealing. The Appellate Division specifically found that money damages resulting from the breach of this specific undertaking by the publisher in promotion of the author's work would afford "adequate relief".

There are cross appeals on certified questions (CPLR 5602). It seems clear that such an appeal brings up only questions of law and this is what the orders of the Appellate Division allowing the appeals expressly state. Thus the only issue that may be considered in this form of appeal is whether it could be found, as a matter of law, on the record that there was no fiduciary relationship; that there was a breach of a specific undertaking of the contract; and that money damages were a sufficient measure for the breach (see Cohen and Karger, Powers of the N. Y. Court

of Appeals, §88 *et seq.*) Not any of those questions requires reversal here as a matter of law.

The argument of the publisher in this court that there was no damage cannot be determined from this record as a question of law. The publisher has compiled financial results from the record seeking to show the author's royalties and the sales of its books were about the same after, as before, the Mileaf publication began.

The publisher also contends that in the 18 months before the Mileaf publication began the total sales of the author's books were $435,000 and in a similar period after such publication for which there is evidence, the total sales were $433,600, and the total sales of both the author's and Mileaf books $615,200. Where there was, in fact, damage to the author from the Mileaf publication will be decided at the reference.

If the action has been properly held to be one merely for breach of contract for which money damages afford a sufficient remedy, an injunction, even temporarily for the limited time fixed by the Appellate Division until the damages, if any, are determined, would normally be inappropriate absent some showing of imminent risk of frustration of a resulting judgment, such as insolvency or siphoning off of assets. But if the hearing on damages is conducted expeditiously, the court declines to interfere as a matter of law in this respect with the discretion of the Appellate Division.

The order of the Appellate Division should be affirmed, with costs to abide the event.

Judges Burke, Scileppi, Breitel and Gibson concur with Judge Bergan; Chief Judge Fuld dissents in part and votes to modify in a separate opinion in which Judge Jasen concurs.

Order affirmed, with costs, to abide the event. Questions certified answered in the affirmative.

Partly Dissenting Opinion in New York Court of Appeals

Chief Judge FULD (dissenting in part): I agree with Justice MCNALLY, dissenting below, that the plaintiff is entitled not only to recover damages but also to a permanent injunction against continuance of the defendant publisher's wrong.

There was a continuing obligation on the publisher's part to use its "best efforts" to promote the object of the agreement between the parties, that is, to create a market for the plaintiff's books and to supply that market with its books. The defendant not only failed to use its best efforts but purposely channeled those efforts into another and competing source that was more profitable for it. It created a market for its own books to the plaintiff's great detriment and to its own advantage. Whereas it paid the plaintiff a royalty of 15%, its obligations to the supplier of the new work entailed a payment of less than 3%. It also assumed the more favorable status of copyright owner of the new works, whereas the plaintiff was copyright owner of the original works. Both were intended for the same limited market; to the extent that one supplied that market, it necessarily replaced the other.

As a result of the defendant's deliberate undermining of the objectives of its agreement with the plaintiff, the only way to insure the plaintiff's unimpeded access to the market for its books and to prevent the defendant from taking advantage of its wrong—by replacing the plaintiff's books with its own—is by enjoining the further distribution of the defendant's books. Any resulting hardship to the defendant, directly or in its contractual relationship with third parties, has stemmed from the defendant's own wrongful conduct.

Partly Dissenting Opinion in New York Court of Appeals

It is not necessary to decide whether or not the defendant's obligation to the plaintiff was a "fiduciary" one. It is sufficient that it was one which required a high degree of fair dealing which the defendant wholly and willfully disregarded for its own benefit. Thus, in my view, the trial court was entirely justified in concluding that damages, under the circumstances of this case, would be inadequate and that, as a consequence, injunctive relief was appropriate. Accordingly, I would modify the order appealed from to the extent of reversing so much thereof as denied injunctive relief.

New York Court of Appeals' Order Denying Rehearing

STATE OF NEW YORK
IN COURT OF APPEALS

At a Court of Appeals for the State of New York, held at the Court of Appeals Hall in the City of Albany on the First day of June A.D. 1972.

PRESENT, HON. STANLEY H. FULD, *Chief Judge, presiding.*

1 mo. no. 291

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Respondent-Appellant,

vs.

HAYDEN BOOK COMPANY, INC. and HAYDEN PUBLISHING COMPANY, INC.,
Appellants-Respondents.

A motion for reargument of the above cause having heretofore been made upon the part of the appellants-respondents herein and papers having been submitted thereon and due deliberation having been thereupon had, it is

ORDERED, that the said motion be and the same hereby is denied.

/s/ Gearon Kimball

Deputy Clerk

Appellate Division's Order Affirmed by New York Court of Appeals

At a term of the Appellate Division of the Supreme Court of the State of New York, held in and for the First Judicial Department in the County of New York, at the Courthouse thereof at 25th Street and Madison Avenue, New York, N. Y., this 6th day of February, 1970.

Present:

HON. HAROLD A. STEVENS, *Presiding Justice,*
HON. SAMUEL W. EAGER
HON. LOUIS J. CAPOZZOLI
HON. EMILIO NUNEZ
HON. JAMES B. M. MCNALLY, *Justices.*

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent
Cross-Appellant,

against

HAYDEN PUBLISHING COMPANY, INC. and
HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants
Cross-Respondents.

In this action brought in the Supreme Court of the State of New York, County of New York, New York County

Appellate Division's Order Affirmed by New York Court of Appeals

Clerk's Index No. 2508/1967, the above-named defendants having appealed from an order entered in the action on April 27, 1967 and from the interlocutory judgment entered in the action on December 10, 1968 and the above-named plaintiff having appealed from said judgment so far as it failed to provide an award of punitive damages to plaintiff, and said appeals having been argued by John E. Haigney, Esq., of the firm of Ide & Haigney, for defendants, and Ephraim London, Esq., of the firm of London, Buttenwieser & Chalif for plaintiff and due deliberation having been had, and said appeals having been consolidated for convenience for disposition, and upon the memorandum decision of this Court filed herein on December 18, 1969 and made a part hereof (with one of the Justices dissenting in a separate memorandum), it is hereby

ORDERED, unanimously, that the order appealed from entered in the action on April 27, 1967 be and the same hereby is affirmed, without costs or disbursements; and it is further (with one of the Justices dissenting)

ORDERED, that the interlocutory judgment appealed from entered in the action on December 10, 1968 be and the same hereby is modified, on the law and the facts, without costs or disbursements as follows:

1. In the first ordering paragraph, the words "forever enjoined and restrained" which appear at lines 9 and 10 of the first ordering paragraph are stricken, and the following words inserted: "are temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate, from";

2. The second ordering paragraph is stricken in its entirety;

Appellate Division's Order Affirmed by New York Court of Appeals

3. The third ordering paragraph is modified as follows: to insert after the words "shall account" which appear in the third line of the following: "as an item for the ascertaining and calculation of damages;" and it is further

ORDERED, that said interlocutory judgment in so far as it fails to direct and award to plaintiff for punitive damages is affirmed; and it is further

ORDERED, that the findings of fact and conclusions of law made by the trial court inconsistent with the decision of this Court are reversed, and in lieu thereof the following new findings of fact and conclusions of law are made:

1. No fiduciary relationship exists between the parties to this action;

2. This action involves a purely commercial relationship and a purely commercial transaction;

3. This action more properly may be considered an action for breach of contract;

4. Under the publishing contract involved herein, the defendants agreed to use their "best efforts", for the continued promotion and sale of the plaintiff's books;

5. This action is properly to be considered as involving a demonstrated failure by the defendants to use their "best efforts", for the continued promotion and sale of the plaintiff's books under such contract;

6. Damages will afford the plaintiff adequate relief.

7. Mileaf has rights in the Mileaf books;

8. Destruction of the Mileaf books would destroy Mileaf's said rights;

9. Mileaf is not a party to this action;

10. This action is not an action for copyright infringement;

11. Because the action is not for any copyright infringement of the plaintiff's books is another reason why destruction of the Mileaf books is not appropriate relief;

12. If the action was for a copyright infringement of the plaintiff's books, relief would necessarily be sought in another forum;

13. No public right is involved in this action, only private wrongs; and it is further

ORDERED, that the interlocutory judgment as so modified, is otherwise affirmed, without costs or disbursements.

Enter

/s/ Harold A. Stevens
Justice of the Appellate Division of the Supreme Court of the State of New York, First Judicial Department.

Opinion-Decision of Appellate Division

(Filed Dec. 18, 1969)

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff-Respondent-Cross-Appellant,

against

HAYDEN PUBLISHING COMPANY, INC. and HAYDEN BOOK COMPANY, INC.,
Defendants-Appellants-Cross-Respondents.

Before STEVENS, *P. J.*, and EAGER, CAPOZZOLI, NUNEZ and MCNALLY, *JJ.*

PER CURIAM.

These are two appeals which for purposes of convenience are consolidated for disposition. In the first, defendants appeal from an interlocutory judgment entered December 10, 1968 in favor of the plaintiff and against the defendants after a non-jury trial. Plaintiff cross-appeals from so much of the judgment as denied the plaintiff punitive damages. In the second, defendants appeal from so much of an order entered April 27, 1967 as granted plaintiff's motion for a protective order terminating the defendants' examination before trial of the plaintiff and to the extent that such order denied defendants' renewal motion for a bill of particulars. The order granting the protective

motion and denying defendants' renewal motion for a bill of particulars was properly entered and is unanimously affirmed.

The interlocutory judgment appealed from is modified, without costs or disbursements, on the law and the facts as follows: In the first ordering paragraph the words "forever enjoined and restrained" which appears at lines 9 and 10 of the first ordering paragraph are stricken, and the following words inserted: "are temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate, from." The second ordering paragraph is stricken in its entirety. The third ordering paragraph is modified as follows: to insert after the words "shall account" which appear in the third line the following: "as an item for the ascertaining and calculation of damages."

We find and conclude that no fiduciary relationship exists between the parties. We find and conclude that this was a purely commercial relationship and a purely commercial transaction. The action more properly may be considered an action for breach of contract with demonstrated failure by defendants to use their "best efforts", as they agreed to do under the publishing contract, for the continued promotion and sale of plaintiff's books (cf. Wood v. Lucy, Lady Duff-Gordon, 222 N.Y. 88, 118 N.E. 214; Nelson v. Mills Music, Inc., 278 App. Div. 311, 104 N.Y.S.2d 605, aff'd 304 N.Y. 966, 110 N.E.2d 892). As such damages will afford the plaintiff adequate relief. The destruction of the Mileaf books as directed in the interlocutory judgment would destroy Mileaf's rights and Mileaf is not a party to this action. Moreover, this is not an action for copyright infringement. Indeed if it were relief would necessarily be sought in another forum. Plaintiff's cross-appeal from

the denial of punitive damages is affirmed. Punitive damages were properly withheld since no public right is involved here, only private wrongs (see American Electronics, Inc. v. Neptune Meter Co., 30 A.D.2d 117, 290 N.Y.S.2d 333). To the extent that the findings and conclusions made by us are in conflict or contradiction to those made by the Trial Justice, such findings and conclusions of the Trial Justice are overruled and rejected and set aside, and new findings and conclusions made as herein stated.

All concur except McNally, *J.*, who dissents and votes to affirm on the appeal from the interlocutory judgment entered December 10, 1968.

Dissenting Opinion in the Appellate Division

McNALLY, *J.*

I dissent and vote to affirm.

The issue presented involves two sets of books, the plaintiff's "Basic Electricity" and "Basic Electronics", and the defendant's books, "Electricity 1-7" and "Electronics 1-7" prepared by one Mileaf. Plaintiff claims, and, in my opinion, the proof sustains its contention that the defendants as publisher of plaintiff's books have misappropriated them without disclosure to the plaintiff, utilizing them in the development, production and publication of the Mileaf series, using the plaintiff's form and substance of teaching the theory of the science of electricity, and in so doing used the same methods and devices of illustrations as plaintiff's books, all of which constitute unfair competition. The form used is in the nature of an abbreviated, progressive presentation, a discussion with accompanying illustrations of separate topics in sequential order, from theory to practice. The record, as I view it, is that the defendants' product is an expanded and updated version which was surreptitiously arrived at by the defendants taking unfair advantage of their contractual relationship with the plaintiff. As I view it, the defendants violated their obligation to deal fairly and honestly and in good faith with the plaintiff and violated their agreement to use their best efforts to advance the sale of the plaintiff's books.

In all contractual relationships there is an implied covenant that neither party shall do anything to injure the rights of the other. This is true no matter what the relationship of the contracting parties is, be it that of employer or employee, manufacturer or distributor, licensor or licensee, and this is true whether or not a fiduciary relationship exists. Every contract impliedly carries with it an undertaking to perform fairly and in good faith. Kirke La

Shelle Co. v. Paul Armstrong Co., 263 N.Y. 79, 188 N.E. 163; Brassil v. Maryland Casualty Co., 210 N.Y. 235, 104 N.E. 622, L.R.A. 1915A, 629; Guardino Tank Processing Corp. v. Olsson, Sup., 89 N.Y.S. 2d 691.

The defendants further violated the implied covenant of their contract with the plaintiff to deal with plaintiff in good faith. Defendants conceded that they did not advise the plaintiff at any time during the 2 and ½ years the books were being prepared, printed and bound, that they intended to publish the Mileaf books. In addition to concealing these facts, defendants misled and deceived the plaintiff and told the plaintiff orally and in writing that rumors that the plaintiff heard about the books were false. The defendant also omitted the Mileaf books from a list of their proposed publications which they delivered to the plaintiff and which they represented to be complete. It would seem to me that the defendants had a duty to disclose to the plaintiff its intention to publish the Mileaf books. Their failure to give the plaintiff information was in itself an actionable wrong. Wendt v. Fischer, 243 N.Y. 439, 154 N.E. 303; Keller v. American Chain Co., 255 N.Y. 94, 174 N.E. 74.

The defendants' contention that the affiliate and the publisher were separate entities before the merger does not hold water; both had the same offices, the same directors, they used their funds interchangeably, commingled assets, had a common financial control and administration, and their activities of printing, binding, billing, order-processing and accounting were all consolidated. Their endeavors were controlled by one manager, they had the same editors, salsemen, advertising staff, and the record makes it appear that the parent company exercised total control over both corporations.

In my opinion, the plaintiff is entitled to recover damages and is also entitled to an injunction against the con-

tinuance of the wrong. The recovery of damages is not an adequate or sufficient remedy. If the judgment permits the defendants to continue the wrong, the plaintiff will be compelled to resort to a number of actions in the future to obtain proper redress.

A party left in the position of having to bring a series of sustaining actions in order to recover damages for a continuing wrong has not received an adequate remedy.

> "Prevention of multiplicity of suits is always a sufficient ground of equity jurisdiction, and furnishes a basis for the assumption and exercise of the power to restrain acts injurious to property and person, and to prevent one from being subjected to the cost and vexation of innumerable suits. While equity assumes jurisdiction to award injunctive relief where the injury complained of is otherwise irreparable and the remedy at law is inadequate, this want of a sufficient legal remedy and *the resulting irremedial character of the injury proceed largely from the fact that the injured party cannot procure the full and complete relief to which he is entitled without resorting to a multiplicity of suits.* * * *" (Emphasis added). 28 N.Y. Jurisprudence Injunctions §32, pp. 345-6; Satterlee v. Kobbe, 173 N.Y. 91, 97, 65 N.E. 952, 953; Williams v. New York Central R.R. Co., 16 N.Y. 97, 111.

The parties hereto have been in a contractual relationship for many years, the plaintiff as author and defendants as publishers. Over this period of time, the defendants have paid the plaintiff almost $1 million in royalties. For the defendants to embark on a secret course of writing, editing and presenting the defendants' books in competition with plaintiff's books constitute in my opinion both breach of contract and unfair competition.

In my opinion, judgment should be affirmed.

Judgment in Supreme Court of the State of New York, County of New York, Which Was Modified by Appellate Division's Order Affirmed by New York Court of Appeals

At a Trial Term, Part II, held in and for the County of New York, at the Courthouse at 60 Centre Street, in the Borough of Manhattan, City of New York.

Present:

HONORABLE IRVING H. SAYPOL, *Justice.*

VAN VALKENBURGH, NOOGER & NEVILLE, INC.,
Plaintiff,

against

JOHN F. RIDER PUBLISHER, INC., HAYDEN PUBLISHING COMPANY, INC. and HAYDEN BOOK COMPANY, INC.,
Defendants.

The Plaintiff brought the above entitled action for an injunction, and for a judgment directing the Defendants to deliver for destruction certain books and material, and for an accounting of profits, and to recover damages sustained. The three Defendants named in the caption appeared and filed their Answer. The cause duly came on for trial before this Court without a jury at Trial Term, Part VIII thereof. The Plaintiff appeared by London, Buttenwieser & Chalif, (Ephraim London, Esq., trial coun-

sel) and the Defendants appeared by Ide & Haigney, (John E. Haigney, Esq., trial counsel). After this action was instituted the Defendant Hayden Book Company, Inc. was merged with the Defendant John F. Rider Publisher, Inc., and the name of the surviving corporation was, and is, Hayden Book Company, Inc.; after the merger Ide & Haigney (and John E. Haigney) represented the merged or surviving corporation in this case.

The Court heard and received the evidence offered by the parties, and considered the oral arguments of counsel for the parties and read their memoranda of law, and after due deliberation and on the Court's oral decision and written Findings of Fact and Conclusions of Law, in which it decided that the Plaintiff is entitled to judgment; and on the post decision hearings and memoranda it is accordingly

On motion of Plaintiff's attorneys, London, Buttenwieser & Chalif,

ORDERED, ADJUDGED AND DECREED that the Defendant Hayden Publishing Company, Inc., (having its principal offices at 850 Third Avenue, New York, New York) and the Defendant Hayden Book Company, Inc. (having its principal offices at 116 West 14th Street, New York, New York) and their officers, employees, representatives, agents, licensees, and assigns, (other than purchasers of copies of the Mileaf books) and all firms and all corporations owned or controlled by them, be and they hereby are forever enjoined and restrained from, in any manner, directly or indirectly,

(1) publishing, printing, binding, distributing, selling, transporting or delivering (except to the Plaintiff as specifically provided hereafter in this judgment) or permitting the publication, printing, distribution, transportation or delivery of "Electricity One-Seven"

and "Electronics One-Seven," edited by Harry Mileaf. The terms "Electricity One-Seven" and "Electronics One-Seven" as used in this judgment include the sets of books, each of seven volumes, bearing those titles, originally published by Hayden Book Company, Inc., and it includes the combined single volume editions of those books, and all editions of those works, the separate volumes of each of them and combinations of and separate parts of the volumes, and the text and the illustrations of each and all of the volumes, and it includes counterparts of the volumes, and films and transparencies and all material based upon, copied from or extracted from the illustrations or the texts of the said books; and the prohibitions of this and the following paragraphs of this order apply to all the volumes, editions, text, illustrations, transparencies and other material referred to;

(2) selling, offering for sale, causing to be sold or permitting the sale or offering for sale, or otherwise disposing of "Electricity One-Seven" or "Electronics One-Seven" or both;

(3) advertising "Electricity One-Seven" or "Electronics One-Seven" or both or advertising their publication or in any way promoting the sale or permitting the advertising, or promotion of the sale of "Electricity One-Seven" or "Electronics One-Seven" or both;

(4) transferring, assigning, licensing, selling or exploiting or in any way disposing of the copyright, or of any right or subsidiary right in "Electricity One-Seven" or "Electronics One-Seven" or both or permitting the transfer, assignment, license, sale, exploitation or disposition of the copyright or any right or subsidiary right in "Electricity One-Seven" or "Electronics One-Seven", or both;

Judgment in Supreme Court of the State of New York Modified by Appellate Division's Order

and it is further

ORDERED, ADJUDGED AND DECREED that the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. shall forthwith recall and obtain from its salesmen, agents, representatives, employees, licensees, assigns, wholesalers, distributors, and all other persons, firms or corporations to whom or to which copies of the books were delivered for sale, and from its printers, binders, and warehouses the following: all copies of "Electricity One-Seven" and "Electronics One-Seven" as that term is defined above, and all separate or unbound pages, and separate bindings and covers of said books, and all plates, plats, mats, negatives, film, manuscripts, art work, camera-ready copy, photographs for the text and the illustrations of the said books and all advertisements, displays, circulars and other material relating to said books and material in the said Defendants' possession or control or in their possession or control. All the foregoing shall be delivered to Plaintiff for destruction at Plaintiff's offices at 15 Maiden Lane, New York City (or such other place in New York City as Plaintiff shall designate in writing) within sixty (60) days from date of service of a copy of this judgment (the date of delivery of the books and material to be a weekday set by Defendants by the mailing of written notice of the date and, time of delivery, such notice to be sent by registered or certified mail at least five days prior to the date set for delivery) provided, however, that if Defendants make timely service and file a Notice of Appeal from this judgment and Defendants serve and file their brief on such appeal and Notice of Argument of the appeal within sixty (60) days from date of this judgment, the Plaintiff shall not destroy any of the foregoing books and material delivered to it but shall keep and preserve the same until the final determination of such appeal, and upon the final determination of such

appeal Plaintiff shall destroy such books and material unless otherwise directed by this Court or by the Court determining such appeal; and it is further

ORDERED, ADJUDGED AND DECREED that the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. shall account to the Plaintiff for all sales and transfers or other disposition of copies of "Electricity One-Seven" and "Electronics One-Seven", as hereinabove defined, and for all rights that have been transferred or licensed, and for the proceeds and benefits derived from the sale, licensing, transfer or other disposition of copies of "Electricity One-Seven" and "Electronics One-Seven" (as defined above) and of rights therein; and upon such accounting from the total or totals the Plaintiff shall have judgment against the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. in the amounts (plus appropriate interest) of fifteen per cent (15%) of the retail list price of all copies of "Electricity One-Seven" and "Electronics One-Seven" (as hereinabove defined) sold or transferred or that Defendants shall fail to account for, and for fifteen per cent (15%) of the retail list price of all transparencies and other material based on or derived from "Electricity One-Seven" or "Electronics One-Seven" that have been sold, or transferred or that Defendants shall fail to account for, and Defendants shall account to Plaintiff in amounts to be determined hereafter for any and all proceeds derived from the sale or transfer or disposition of other rights in "Electricity One-Seven" or "Electronics One-Seven"; and it is further

ORDERED, ADJUDGED AND DECREED that the account hereinabove provided for shall be in writing and verified and shall be filed and served by Hayden Publishing Company, Inc. and Hayden Book Company, Inc. upon Plaintiff's attorneys,

within sixty (60) days from the date hereof, and the Defendants' accounts shall show, with substantiating bills and reports from printers, binders and warehouses and producers, the total production of copies of "Electricity One-Seven" and "Electronics One-Seven" (as that term is defined above), the total number sold and the total number on hand, and such account shall show as to sales, transfers or other dispositions of "Electricity One-Seven" and "Electronics One-Seven", as hereinabove defined, the date of each such transaction, the name of the purchaser or transferee, the list price of each item sold or transferred, the date when each payment was received therefor, the source of each such payment, and the Defendants' account shall be accompanied by all evidences of print orders, binding orders, warehouse receipts, and invoices, statements and bills; and such account shall show, as to the sale or disposition of rights in "Electricity One-Seven" or "Electronics One-Seven", or both, the names and addresses of the purchasers, transferees or assignees, and each payment received by Defendants in connection therewith and the account shall be accompanied by copies of all contracts with and documents delivered to such purchasers, assignees and transferees, and copies of all accounts rendered by them; and it is further

ORDERED, ADJUDGED AND DECREED that the aforesaid accounts be and they hereby are referred to Joseph T. P. Sullivan, 19 West 44 St., N.Y.C., as Referee, to take and state the accounts of the Defendants and to hear and make a report of his recommendations to this Court; and it is further

ORDERED, ADJUDGED AND DECREED that Plaintiff have judgment against the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. in the amount of the

loss in value of the books "Basic Electricity" and "Basic Electronics" and all other loss or damage sustained by Plaintiff in consequence of the publication of the books "Electricity One-Seven" and "Electronics One-Seven" and in consequence of the Defendants' conduct outlined in the Findings of Fact herein; and it is further

ORDERED, ADJUDGED AND DECREED that the issues with respect to such loss and damages sustained by the Plaintiff and the loss in value of the books "Basic Electricity" and "Basic Electronics" be and they hereby are referred to the said Joseph T. P. Sullivan, as Referee, to hear and make a report of his recommendations thereon to this Court; and

The Plaintiff having moved for an extra allowance, pursuant to CPLR 8303(a) (2), and this having been a difficult and an extraordinary case, it is ORDERED that Plaintiff herein is granted the sum of Three Thousand Dollars ($3,000) as an additional allowance, the same to be taxed with the costs of this action; and it is further

ORDERED, ADJUDGED AND DECREED that upon the entry of final judgment Plaintiff may recover from the Defendants Hayden Publishing Company, Inc. and Hayden Book Company, Inc. the costs of this action, including the amounts paid by Plaintiff for the transcripts of the testimony in this case, and that the Plaintiff have execution therefor; and it is further

ORDERED, ADJUDGED AND DECREED that upon the confirmation or rejection in whole or in part of the Referee's reports, Plaintiff or Defendants may move for final judgment herein to be settled before this Court; and it is further

Judgment in Supreme Court of the State of New York Modified by Appellate Division's Order

ORDERED, ADJUDGED AND DECREED that the parties may apply at the foot of this judgment and decree for such further relief, decree or judgment as it may be advised.

The clerk is directed to enter judgment accordingly.

Enter

/s/ Irving H. Saypol
J.S.C.

Dated December 9, 1968

(Entered December 10, 1968, New York County Clerk's Office.)

NOTE: The modifications of this judgment made by the Appellate Division consisted of (1) in the first ordering paragraph (A.26) deleting the words "forever enjoined and restrained" and substituting for them the words "temporarily enjoined and restrained pending the hearing before and report of the referee herein, after which such injunction shall terminate," (2) striking the second ordering paragraph (A.28), and (3) inserting the words "as an item for the ascertaining and calculation of damages" after the words "shall account" in the third ordering paragraph (A.29).

Trial Justice's Opinion-Decision[1]

The Court: This case involves two sets of multi-volume treatises, the plaintiff's Basic Electricity of 496 pages and Basic Electronics of 535 pages, and the defendants' books, Mileaf, Electricity One-Seven of 917 pages and Electronics One-Seven of 932 pages.

It is charged that the defendant as publisher of the plaintiff's writings has misappropriated them without disclosure to the plaintiff, utilizing them in the development, production and publication of the Mileaf series, using the plaintiff's form and substance of teaching the theory and the science of electricity.

The form of presentation is characterized as discrete. It is recognized as thumbnail, abbreviated, progressive presentation, discussion with accompanying elementary illustrations of separate topics in sequential order—from theory to practice—practical application, rules and laws and formulae, magnetism, flatirons, toasters, radar, aeroplanes, battleships, vacuum cleaners, et cetera, et cetera.

The conclusion is that the defendants' product is an expanded and updated version, not identical but sufficiently patterned after the plaintiff's to arouse judicial interest and concern of impropriety by misappropriation. Bedfellows have done questionably what strangers might get away with, with impunity.

There is abundant proof of the plaintiff's case that the defendants operating in unity with a common interest, purpose and objective (Shelton Holding Corporation v. 150 East 48th Street Corporation, 264 N.Y. 339, 344) have taken unfair advantage of their contractual relationship with the

1. Rendered orally from the bench at the close of trial, September 17, 1968, and never reported.

plaintiff and surreptitiously carried out an unfairly competitive practice constituting both breach of contract and the tort of unfair competition.

Among the glaringly unacceptable testimony of the defendants by a close coterie of malefactors such as Lopatin, Mileaf, Falken and Yates, among others, it is unbelievable that the plaintiff's multi-volume works were not utilized. Perhaps not literally copied, but used at least they must have been as a pattern for the defendants' multi-volume treatises.

The parties are in a contractual relationship for many years, the plaintiffs, the authors, and the defendants, the publishers of the plaintiff's Basic Electricity and Basic Electronics.

An indication of the profitable popularity of plaintiff's books is evidenced by payment of almost a million dollars in royalties from the defendants since first publication.

In that background, for the defendant to embark on the secret course for more than two years of writing, editing and presenting the defendants' seven-volume Electricity One-Seven and Electronics One-Seven is remarkable.

For them to say now at the trial that the whereabouts of the original manuscript for this defendant's work is either unknown or that it was destroyed (within the few years of development and final use) is plainly unbelievable. It amounts to a course constituting destruction of material evidence. It is impossible to accept that these publishers of many hundreds of works, in this case involving their most profitable production, have destroyed the manuscript of their wor

Trial Justice's Opinion-Decision

The competing works, true, are not identical. They are more than closely comparable in pattern, style, and method of presentation. To say that the respective works are addressed to different reader types is not even apparent, let alone real. Typically, for one witness to say that in his background of common prior employment, the same field of writing and publishing writings involving electricity, together with other of the defendants' personnel, coming to the employ of the defendant Hayden at the moment of first publication, ignorant of the existence of the plaintiff's work, is equally unbelievable.

Plaintiff will settle in final form its findings and conclusions as presented, together with a decree enjoining publication and further promotion of Mileaf's Electricity One-Seven and Mileaf's Electronics One-Seven and directing an accounting.

The defendants' affirmative defenses are dismissed for lack of proof and on the law.

This constitutes the decision which will accompany the findings when signed.

It has been a long trial of an involved case with very simple elements.

Pertinent Text of Constitutional and Statutory Provisions Case Involves

U.S. Constitution, Art. I, Sec. 8, cl. 8:

> "The congress shall have Power . . . To promote the Progress fo Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries".

U.S. Copyright Act, 17 U.S.C. Sec. 1:

> "Any person entitled thereto, upon complying with the provisions of this title shall have the exclusive right: (a) To print, reprint, publish, copy and vend the copyrights work; (b) To translate the copyrighted work into other languages or . . . make any other version thereof, if it be a literary work; . . .".

Sherman Antitrust Act, 15 U.S.C. Sec. 1:

> "Every contract . . . in restraint of trade or commerce among the several States, or with foreign nations, is hereby declared to be illegal: . . . Every person who shal make any contract . . . hereby . . . declared to be illegal shall be guilty of a misdemeanor".

Sherman Antitrust Act, 15 U.S.C. Sec. 2:

> "Every person who shall . . . attempt to monopolize . . . any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a misdemeanor".